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USDOC FOR 3131/USFCS/OIO/ANESA/KREISSL
USDOC FOR 4530/MAC/ANESA/OSA
ICE HQ FOR STRATEGIC INVESTIGATIONS
STATE FOR EB/ESP

E.O. 12958: N/A

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SUBJECT: EXTRANCHECK: POST-SHIPMENT VERIFICATION: ENTERYSYS
CORPORATION, SECUNDERABAD, INDIA

REF: USDOC 06315
USDOC 06316

¶1. Unauthorized disclosure of the information provided below is prohibited by Section 12(c) of the Export Administration Act.

¶2. On November 19, 2008, Export Control Officer (ECO) Paul Cushman and FSN Shailendra Srivastava conducted a Post-Shipment Verification (PSV) at Enterysys Corporation (ENTERYSYS) in Secunderabad.

¶3. BIS requested a PSV at ENTERYSYS, located at Public Sector Employee Colony, New Bowenpally, Secunderabad (Suburb of Hyderabad). ENTERYSYS was listed as the ultimate consignee for 2 USB to GPIB interface/converters, 100 clock drivers, 50 power amplifiers, 100 relay drivers, 132 active filters, and 288 low pass filters. Export License: No License Required.

¶4. ECO and FSN Srivastava met with Mr. Shekhar Babu, Director, ENTERYSYS (USA). Initially, Babu resisted scheduling this meeting. He explained that he was traveling to California on this date. When pressed, he conceded that his flight was in the evening and a meeting would be possible.

¶5. Babu was familiar with BIS regulations. In August 2008, the BIS team conducted six PSVs at ENTERYSYS. This meeting was again held at ENTERYSYS which occupies the ground floor of a dwelling in a residential neighborhood.

¶6. Babu claimed that he is a visiting professor at Amrita University in Bangalore. He said he uses the USB to GPIB interface/converters when demonstrating the use of various laboratory testing equipment to engineering students. Babu stated that he taught three seminars in 2007 but so far, none in 2008. He was unable to provide any documentation establishing his relationship with the university. Babu denied that the actual intended end-user was GOI's Solid State Physics Laboratory (SSPL) which falls under the Ministry of Defence. He asserted that ENTERYSYS has never done business with SSPL. Babu provided copies of the following documents relating to this transaction: Purchase Order, Invoice, and Packing List. ECO physically verified the interface/converter serial numbers as 122E869 and 122E96D.

¶7. Babu stated that the importation of the clock drivers, power amplifiers, relay drivers, active filters and low pass filters was made on behalf of GOI's Naval Physical and Oceanographic Laboratory (NPOL). He explained that NPOL required these items for research and development purposes (NFI). The transfer to NPOL in Kochi took place in 2006. Babu provided the following documents supporting this transaction: Purchase Order, End-Use Certificate, Customs Duty Exemption Certificate, and the Delivery Challan. When challenged about the authenticity of the unsigned End-Use Certificate, Babu

admitted that he forged it because he had misplaced the original. The Delivery Challan was also unsigned.

¶8. During the previous visit, ECO inspected and photographed 20 square meters of purported "waste material" imported by ENTERYSYS from the USA and valued at \$200. In actuality, this material is believed to be NICALON ceramic cloth with a value of \$15,460. NICALON ceramic cloth is controlled by BIS under ECCN: 1C010 and therefore, would have required an export license. On this visit, ECO requested permission to remove a small swatch from the bolt. Babu hesitated momentarily and then stated that the material had been moved to a storage cell in Bangalore. He explained that he has an informal arrangement with a friend and fellow entrepreneur, Shammanay Chowdhuri, to store certain items in his storage cell free of charge. In return, Babu allows Chowdhuri to store supplies in his storage locker in Secunderabad. Chowdhuri owns and operates a catering business based in Bangalore. Babu claimed that he moved the bolt of fabric on November 16, 2008 because he was short of space in Secunderabad. Babu could not provide the name or address of the storage facility. When asked, Babu stated that Chowdhuri would not be able to provide ECO access to the storage cell because it is partitioned and Babu has the only key to his portion of the cell.

¶9. Established in 2000, ENTERYSYS began as an Indian distributor of American products. It has since evolved into a value-added service provider, specializing in project solutions. A second company named ASTER is run out of the ENTERYSYS USA facility in Milpitas, California. It is also owned and operated by Shekar and P.N. Babu. During the August meeting, Babu explained to ECO that ASTER focuses on products while ENTERYSYS USA focuses on services.

¶10. Recommendation: At the time of this visit, Enterysys Corporation did not appear to be a reliable recipient of controlled technology. Although some of the items on check were physically verified, much of the information provided by the company's director was nonsensical and his behavior was highly suspicious.
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